



Session #2

FSA Assessments: Getting It Right, Keeping It Right!



**How the FSA Assessments can become your key
To improve Compliance and Service To Students**

Hands-On Activity

Session Objectives



In this session you will learn...

- What the FSA Assessments are and how many are available.
- Where to locate and how to navigate the assessments.
- How to use the resources, links, forms, worksheets, activities and learning scenarios included in the assessment modules.
- How to use the Management Enhancement and Effective Practice Forms.
- What is in it for me: How you can use the assessments to maximize your financial aid operations.

What are the FSA Assessments?

The FSA Assessments are Tools to prevent and/or identify compliance issues, implement Management Enhancements (Action Plans) for noted problems and share Effective Practices. The FSA Assessments are designed to be used in a variety of ways: schools can use the assessments to resolve issues found in annual audits or program reviews, assist with training new staff in their offices, prepare for audit or program reviews or, use as a means to be proactive and promote continuous improvement.

The assessments can help you:

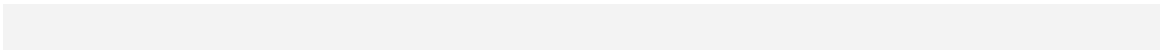
1. Anticipate and address problems
2. Spot-check the systems you are using to manage information
3. Prepare for your audit or other review
4. Maximize the efficiency of your staff in handling their duties
5. Revise your approaches according to your campus needs – and do so continually

Let us briefly review the 22 assessments currently available.

Category	Module	Description
Students	Student Eligibility	Based on a review of a small sample of student files, evaluates the effectiveness of the financial aid policies and procedures concerning student eligibility (e.g., citizenship, valid social security number, enrolled as a regular student in an eligible program, etc.).
Students	Awarding Aid	Based on a review of a small sample of student files, evaluates the effectiveness of the school's Title IV awarding procedures (e.g., Pell Grant eligibility and award amount).
Students	Satisfactory Academic Progress	Helps the school determine if its SAP policy complies with federal regulations (e.g., SAP policy is in writing).
Students	Verification	Evaluates the school's procedures related to Verification policies and procedures.
Schools	Institutional Eligibility	Evaluates the management procedures regarding Institutional Participation (e.g., approved Program Participation Agreement).
Schools	Consumer Information	Assists schools with requirements for Consumer Information. Includes all applicable requirements and examples of such, followed by questions to review Consumer information requirements in place at the school to determine if these requirements are in compliance with all applicable regulations.
Schools	Default Management	Assists schools in understanding cohort default rate calculations, challenges, adjustments and appeals; and helps schools to prevent students from defaulting on Federal student loans.
Schools	Recertification	Helps the school update its recertification application by providing instructional information and asking for a review of policies and procedures to ensure compliance with all applicable requirements.
Schools	Change In Ownership	Helps schools prepare for the process of a change in ownership and respond to the specific requirements throughout the process. Includes specific instructions for Mergers.
Managing Funds	Fiscal Management	Evaluates the effectiveness of the institution's Title IV fiscal procedures.
Managing Funds	Disbursing Aid	Evaluates the effectiveness of the school's Title IV disbursement procedures.
Managing Funds	Reporting & Reconciling	Evaluates the school's management procedures regarding the effectiveness of and compliance with Reporting and Reconciliation.
Managing Funds	Return of Title IV Funds	Ensures that Title IV funds are handled correctly when a recipient of those funds ceases to be enrolled prior to the end of the period of enrollment for which the recipient was charged.
Managing Funds	Perkins Awarding & Disbursement	Evaluates the school's procedures regarding the awarding and disbursing of Federal Perkins Loans.
Managing Funds	Perkins Due Diligence	Evaluates the school's procedures regarding Federal Perkins Loan collections.
Managing Funds	Perkins Repayment	Evaluates the school's procedures regarding Federal Perkins Loan repayment.
Managing Funds	Perkins Cancellation	Evaluates the school's procedures regarding Federal Perkins Loan cancellation.

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	Module	
Managing Funds	Perkins Forbearance & Deferment	Evaluates the school's procedures related to Federal Perkins Loan forbearance and deferment.
Managing Funds	FSEOG	Evaluates Federal Supplemental Opportunity Grant Program policies, procedures and operations to ensure compliance with these Title IV areas.
Managing Funds	Federal Work- Study	Evaluates Federal Work Study Program policies, procedures and operations to ensure compliance with these Title IV areas.
Campus Needs	Automation	Evaluates management procedures regarding and compliance with automation.
Campus Needs	Administrative Capabilities	Helps the school determine Title IV and non-Title IV areas where management operations should be assessed.



Where can you find the FSA Assessments?



Answer: Visit the Web address

Now we will actually go and find the web site and begin navigating through the assessments.

Instructor Demonstration:

Web address

➤ FSA Portal address: <http://fsa4schools.ed.gov/>

Step	Action
1	Click on the Internet Icon
2	Type in the web address: http://fsa4schools.ed.gov/ . Click Enter .
3	Under Resources & Training , click FSA Self-Assessments Tool
4	The four categories of assessments are listed. Within each category, you will find several different assessments. By clicking on a specific category, you can choose any assessment within that category. For this example, we will click Students .
5	Select FSA Verification . Scroll down to the bottom of the page.
6	Click back button twice. This will prepare you for the activity on the next page.

How to navigate the assessments

- Review the menu of components on the left hand side of each assessment.
- Within each component, there are numerous activities, exercises, Q&A's, as well as case studies to reinforce learning.
- Each component is linked to regulations, FSA Handbook, FAFSA Forms, 1040's, etc.
- Each assessment has a Management Enhancement link to assist a school with follow through on a corrective action identified.
- Review symbols





Getting started with the FSA Assessments

Instructor Demonstration

Purpose: To show the user how get started with using the FSA Assessments.

Step	Action
1	Click on the Students category. Here you will find 4 assessments related to Student Eligibility.
2	Click back button.
3	Click on the Schools category. Here you will find 5 assessments related to Institutional Eligibility.
4	Click back button.
5	Click on the Managing Funds category. Here you will find 11 assessments related to managing funds at your school.
6	Click back button.
7	Click on the Campus Needs category. Here you will find 2 assessments related to Automation (Electronic Processes) and Administrative Capabilities.
8	Click back button.
9	Click on the Students category.
10	Click Student Eligibility .
11	In the top right hand portion of the assessment, click Download this assessment to your computer . This will bring up a blank copy of the assessment in Microsoft Word. You can then save this to your computer by clicking on file and save as in the word document. We will not be doing this during this training.
12	Close the Microsoft Word Document and Return to the Student Eligibility Module.
13	Click back button twice.



Helpful Hints:

1. It is highly recommended that you navigate through each section before downloading the blank assessment to your computer.
2. When completing an assessment, please make sure to download all activities for completion.
3. When printing an assessment, please make sure you print the assessments and all activities.



Instructor Demonstration (Continued)

Introducing the Fiscal Management Assessment

What is the Fiscal Management Assessment?

The Fiscal Management Assessment is a tool to assist Program Review Staff, IIS's, Auditors and Schools with the Fiscal Management process. It was designed to "house" the information the Department provides on Financial Responsibility & Cash Management in one place and in a user-friendly, logical order. It incorporates direct links to Fiscal Management related sources such as the Federal Law, Federal Regulations, FSA Handbook, Blue Book, Checklists, and Reconciliation Activities.

Purpose: To show the user how to navigate the Fiscal Management Assessment.

Step	Action
1	We are back at the main menu where you will find four categories. For this demonstration, we will select Managing Funds Category. Under Managing Funds, we will Click on Fiscal Management .
2	From the menu, click on Cash Management . In the left hand column of this section, you will see information related to Cash Management requirements. In this column, click on the hyperlink 668.162(b)* . You will now be taken directly to that regulation. You will find helpful hyperlinks throughout all of the assessments. Click back button. Helpful hint: If you are completing an assessment that is related to a specific regulation, you may want to consider right clicking on the hyperlink with your mouse. When you right-click, you can use the option OPEN IN NEW WINDOW . This will allow you to keep that hyperlink open to refer to while reviewing or completing an assessment. You can minimize the screen and access when you need to reference the regulation.
3	In the right hand column you will see several activities related to Cash Management. Click Activity 14 Reconciliation Activity . This activity allows your school to review your specific Title IV accounts to ensure that all accounts are reconciled. You will notice several Reconciliation and Excess Cash activities located on pages 1 and 2 of this document.
4	Click Fiscal Year-End Reconciliation Worksheet . The Worksheet is displayed. This exercise is highly recommended for completion at the end of every academic year to ensure that all Title IV programs have been reconciled.
5	If you would like to Print this document, you would use your browser to print this document. The worksheets can now be used to reconcile. If you have Microsoft Word on your computer, you can also complete them on-line and save them to your own hard-drive. We will not be printing during this session.
6	Click the back button twice. You will now be back on the Cash Management section of the assessments. From here, you can use the left-hand column to scroll through each section of the assessment.
7	From the menu, click Final Checklist . Every assessment contains this Final Checklist. This checklist allows the user to either share an Effective Practice , remind them to complete a Management Enhancement Form for any improvements noted by completing the module. The checklist also contains the link for Technical Assistance Resources and contains a related Module link.

***Note: All hyperlinks to regulations are housed on the Government Printing Office (GPO) website. This website houses regulations for all government agencies. If you receive any error message when accessing a regulation hyperlink, click the back button and try again. In some cases (such as when the site is experiencing a high volume of traffic), it may take a couple of attempts to bring up the regulation.**

Please proceed to next page for the last steps of this demonstration.

8	Click Technical Assistance Resources . This provides a listing of all of the contact information for FSA related offices. It is updated regularly. It also contains links to applicable websites, etc. A great source! Click back button.
9	On the bottom of the page, you will notice the Related Modules link. This feature is available throughout all of the assessments. It provides other modules related to the assessment you are currently completing. From this link, click Return of Title IV Funds Module . As you can see, you are now brought to the Return of Title IV assessment. Click back button.
10	Click Effective Practice Form . Here you will see the Effective Practice page that allows you to submit an effective practice, or review an effective practice submitted by another school. Click the back button. This brings you back to the Final Checklist section of the Assessment.
11	Click Management Enhancement Worksheet . If your school finds areas that need improvement, this form can be completed for each area noted. This process allows your school to identify the problem, implement a solution to fix the problem, decide whether the problem can be fixed in a short amount of time or whether it will require a longer time to implement a corrective action. It also prompts the school to involve all appropriate offices in the solution.
12	In the upper right hand corner, click Download the Management Enhancement Worksheet to your computer . This will bring up a Microsoft Word version of the worksheet that you can save by going into file and save as in the word document. You can save it to your own hard drive. It is highly recommended that you print several blank Management Enhancement Forms to have available when you complete an assessment. Using this approach, you can record any areas that need improvement on a blank form as you are completing the assessment. Close the Management Enhancement Worksheet and hit the back button.

We just viewed the Fiscal Management Assessment. Let us take a few moments to review the Verification Assessment. Now it is your turn to navigate!



Introducing the FSA Verification Assessment –

Purpose: The purpose of this demonstration is to show the participant how to navigate and experience the FSA Verification Assessment.

What is the FSA Verification Assessment?

The Verification Assessment is a tool to assist Program Review Staff, IIS's, FSA Customer Support Representatives, Auditors and Schools with the verification process. It was designed to “house” the information the Department provides on verification in one place and in a user-friendly, logical order. It incorporates direct links to verification related sources such as the Federal Law, Federal Regulations, FSA Handbook, Audit Guide, FSA University Activities, IRS 1040's, FAFSA's and related worksheets.

The Assessment was introduced at the 2002-03 EAC Conference. Schools were very interested in obtaining immediate access to the web site. They provided suggestions for improvement, which we incorporated into the latest version of the assessment.

Hands-on Exercise A

Components: An introduction to the Student Notification Component of the Assessment

Step	Action
1	From the Windows desktop, click Start .
2	Select programs/Internet Explorer, or Netscape (or another internet service used on your computer). For our example, we use Internet Explorer.
3	Type in the following address: http://fsa4schools.ed.gov . Hit enter .
4	Under Resources & Training, click FSA Self-Assessments Tool .
5	From the top Navigation bar, click Favorites . Click Add to Favorites . A pop-up Box will appear. In the box, you may want to name this favorite link. Type FSA Assessments . You have now added the FSA Assessments to your Favorite links for easy access. Select OK .
7	From the menu, select Students . Then select FSA Verification .
8	Select from the menu, Student Notification
9	Select the link Verification Regulations at a Glance
10	Click back button

- Can assist you in preparation for an audit or program review.
- Assist you with verification questions.
- Easy access to the latest regulatory updates and/or requirements.

Components: An introduction to the Student Notification Component of the Assessment (cont.)

Step	Action
1	Select Activity 1 – Verification Checklist and Activity Worksheet
2	Select back button
3	Select Community Questions-Deadlines
4	Click back button

- Activity 1 - Provides a checklist and worksheet to answer the following Verification Requirements, Deadlines for students to submit documentation & Consequences of the failure to meet those deadlines, Method of notifying students of award change resulting from verification, Correction procedures for students, Means of publicizing requirement and procedures, and Standard procedures for referring overpayment cases to the Department of Education. Could be used prior to a review or for a desk review.
- Community Questions provide a school or a reviewer an opportunity to review commonly asked questions. This question has to do with deadlines.

Components: An introduction to the Verifiable Items Component of the Assessment

Step	Action
1	Select from the Menu, Verifiable Items
2	Select Activity 8: Case Studies Scenario
3	Click back button
4	Select Items to be Verified & Acceptable Documentation Chart
5	Click back button

- Identifies what needs to be verified and what is considered acceptable documentation.
- Activity 1 allows you to test your knowledge about Verification requirements. Examples taken from FSA University Training Materials on Verification.

Step	Action
1	Select 2003-04 IRS FORMS: IRS 1040
2	Click back button

- You could identify and print an IRS 1040 for a designated award year.

Step	Action
1	Select Verification ISIR/1040 Comparison charts 2003-04
2	Click back button

- Identify and print an ISIR/1040 Comparison chart. It lists the items that require verification and where you can find the information on the FAFSA and appropriate IRS form or e file.
- Can assist in file reviews.

Components: An introduction to the Verifiable Items Component of the Assessment (cont.)

Step	Action
1	Select. Activity 9: File Review Exercise
2	Click back button
3	In section entitled: When completing the file review, we recommend linking to the: Click Dependent Verification Worksheet . Click back button. Click Independent Verification Worksheet . Click back button. Click FAFSA for Award Years 1999-2000 through 2003-04 . Click back button.

- A school can complete a file review.
- Dependent/independent worksheets are made available along with a link to pull down a FAFSA.

Components: An introduction to Selection of Applicants for Verification and Verification Exclusions

Step	Action
1	Select from the menu, Selection of Applicants
2	Select Activity 3: Applicants Selected for Verification Exercise
3	Click back button
4	Select from the Menu Verification Exclusions
5	Select the link (34 CFR 668.54(b)(2)(i) – Exclusion from verification
6	Click back button

- If a school elects to verify the minimum criteria of 30%, this link assists the school in demonstrating how they chose their 30% verification population.
- Provides easy access to verification requirements.



QUESTION:

Review the Verification Exclusion Screen and name two of the six programs where CPS Selected Verification is NOT required: (**Hint: Answer can be found in left hand side of Assessment under Exclusions**).

1. _____ 2. _____

Review the Verification Exclusion Screen and name the programs where CPS Selected Verification IS required:

1. _____ 2. _____ 3. _____

Components: An introduction to Conflicting Data and Updating Information

Step	Action
1	Select from the menu, Conflicting Data
2	Select 668.54(a)(3)
3	Click back button
4	Select Community Question – Conflicting Data
5	Click back button
6	Select from the Menu Updating Information
7	Select Activity 7: Updating Information Exercise
8	Click back button



- Provides regulatory cite for the requirement to resolve conflicting data.
- Test your knowledge as to when updating information is required.

Components: An introduction to Interim Disbursements and Change of Information (Consequences of a change in Application Information).

Step	Action
1	Select from the menu, Interim Disbursements
2	Select Activity 10- Interim Disbursement Pages 1 and 2
3	Click back button
4	Select from the menu, Change In Information
5	Review Continuous Improvement Information on Status Codes Exercise - S Code
6	Select Community Question – Verification Tolerances
7	Click back Button

- Test your knowledge regarding interim disbursement regulations.
- Provides guidance when a school is liable for an interim disbursement if verification shows that the student received an overpayment or if the student fails to complete verification.
- Easy access to regulatory citations.

Components: An introduction to Deadlines for Submitting Documentation and the Consequences for Failing to Provide Documentation and Recovery of Funds.

Step	Action
1	Select from the menu, Deadlines
2	Select Related links: 2002-03 FSA Handbook, AVG, pages 51-52.
3	Click back button
4	Scroll down to the bottom of the screen and click Next  button.
5	Select Community Question - Deadlines
6	Click back button
7	Select from the menu, Recovery of Funds
8	Review Continuous Improvement questions to the right of the Assessment
9	Scroll down to the bottom of the screen and click Next  button.
10	Select Community Questions & Answers – Recovery of Funds
11	Click back button

- Tests your knowledge.
- Questions provided for a school to complete.



QUESTION:

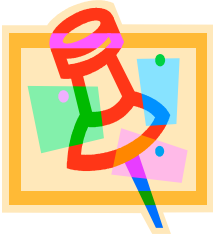
Remember, a Pell overpayment occurs any time the student receives a payment that's greater than the amount for which the student is eligible. **Most overpayments are due to one of the following:** (HINT: Answer in Community Question – Recovery of Funds).

- | | |
|----------|----------|
| 1. _____ | 3. _____ |
| 2. _____ | 4. _____ |

Components: An introduction to Verification Outcomes and Final Checklist Sections

Step	Action
1	Select from the menu, Verification Outcomes
2	Instructor DEMO: Activity - Taking the Quality Analysis Tool for a Test Drive*
3	Click back button
4	Select from the menu, Final Checklist
5	Select Effective Practice Form
6	Select back button
7	Select Management Enhancement Worksheet
8	Select back button
9	Select Technical Assistance Resources
10	Click back button

- ***The Quality Analysis Tool has been renamed the ISIR Analysis Tool. The Activity in this section (Step 2 above) will soon be updated to reflect a 2003-04 ISIR database from an actual school using the ISIR Analysis Tool. The identifiers within the database are changed to protect the school and students. The new material to be posted in this section is currently available in Session 3 here at the EAC.**
- **The tool can help a school analyze the effectiveness of its institutional verification program.**
- **A tool that allows schools to evaluate the effectiveness of their institutional/discretionary and CPS selected edits.**
- **Proactive approach to help schools improve their institutional verification program – making sure the right students are selected and ISIR elements that impact eligibility are targeted.**



Coming soon - addition to the Assessment – Dependency Override and Professional Judgment Worksheet

- Allows schools to review files to establish if the Dependency Override and PJ minimum requirements are being met.
- Provides assistance regarding Dependency Override and/or Professional Judgment requirements. A direct link to the most recent Dependency Override Dear Colleague Letter (GEN-03-07) is included within the worksheet.
- Helps schools determine if proper procedures are in place and being followed when determining a student's eligibility for dependency overrides or other PJ decisions.

This Worksheet is already available in the Reporting & Reconciling Assessment. To view the Dependency Override and Professional Judgment Worksheet, follow the instructions below:

Step	Action
1	Select from the menu, Managing Funds
2	Click Reporting & Reconciling
3	Select from the menu, Adjusting Awards
4	Click Activity #2: Professional Judgment File Review Exercise
6	Select back button.

How can using the Verification Assessment BEFORE a review or an audit assist me?

It allows you to be proactive and not reactive. It can help you self identify issues of non-compliance. Helps you get a head start on a corrective action plan (Management Enhancement).

This product is designed to encourage you to determine which activities, checklists or case studies you think are necessary to complete prior to a site visit or audit.

Helps you and your staff review and test their knowledge on verification requirements.

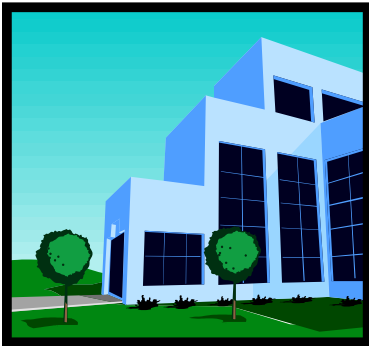
How can using the Verification Assessment AFTER a review or an audit assist me?


After the FPRD is issued and closed, the school may want to complete a management enhancement that is directly related to the verification findings. This process would encourage you to reevaluate any corrective actions that you, the auditor or program reviewer recommended and help determine if the cause of the finding has been fixed.

Provides you with an opportunity to use this tool for training.

How can the Fiscal Management and Verification Assessments help the following institution?

A school dilemma...



Let's imagine that...  scenario 1

It is a wonderful day in your Financial Aid Office. You have just returned from a nice long weekend. Your phone rings. It is the Department of Education and they will be conducting a program review beginning next month. They will be reviewing award years 2002-03 and 2003-04.

The director is new to the financial aid office but can recall that last year, several of the accounts were not reconciled and countless numbers of hours were spent working with the Business Office trying to reconcile accounts. In addition, the school recently had an audit of 2002-03 award year and was cited with several verification findings. You are concerned because one of the findings was also a repeat finding from the 2001-2002 audit.

You have had a huge turn over in staff and your office works hard to comply with the ever-changing Title IV regulations. You hope that the review will reveal your hard work trying to resolve the previous audit findings!



Participant Exercise –1

In preparation of the review, you want to make sure accounts are reconciled since a repeat finding in this area could be a major violation. To perform this task, you will want to review the Fiscal Management Module and print what Activity? **Activity #_____.** **Hint: We reviewed this activity in the Instructor Demonstration of the Fiscal Management Module.**



Participant Exercise –2

In preparation of the review, you will want to print the _____ and _____ **Verification ISIR/1040 Comparison charts and the applicable 1040's and the verification at a glance document.**

What component of the verification assessments would give you the information you are looking for?

- 1. Updating Information**
- 2. Conflicting Data**
- 3. Exclusions**
- 4. Verifiable Items**
- 5. Student Notification**
- 6. 4 and 5**



Participant Exercise – 3

As you are preparing for the review, you have a scheduled appointment with a student. You are discussing a conflicting data issue with a student. The student wants to know where in the regulations is this requirement?

Where can you locate the citation for conflicting data in the verification Assessment Module? What is the Citation?

Answer: _____ **Section of the Verification Assessment**
_____ **Citation**



Participant Exercise – 4

During the site visit the reviewer identifies that you are having difficulty with interim disbursements. It appears you have been disbursing aid prior to verification and not making the appropriate adjustments after verification is performed. In some instances, it appears someone has been disbursing aid and never completing the verification process.

What parts of the assessment could assist the school in evaluating its current policies and procedures?

- A. **Activity 10: Interim Disbursement - Assessment Component: Interim Disbursement**
- B. **Activity 11: Check list on interim disbursement and requirements
Assessment Component: Interim Disbursement**
- C. **Continuous Improvement: Assessment Component: Deadlines for Submitting Documentation and the Consequences for Failing to Provide Documentation**
- D. **All of the above.**

What activity could the school complete to determine the extent of the problem?

- A. **Activity 9: File Review Activity - Assessment Component: Verifiable Items**
- B. **Activity 8: Case Study Scenario – Assessment Component: Items to be verified and Acceptable Documentation**
- C. **All of the above.**



Participant Exercise – 5

Since you verify only 30%, you want to make sure that prior to the visit you met that requirement for the years being reviewed

What activity could the school complete to determine if they met the 30% requirement?

- A. Activity 3: Applicants Selected for Verification – Exercise Component: Selection of Applicants**
- B. Activity 4: 30% application selection process, Assessment Component: Selection of Applicants**
- C. All of the above.**



Participant Exercise – 6

After the program review, it was determined there is an administrative capability issue at the school. Apparently, there has been a huge turn over of staff and there appears to be a lack of training in regard to verification requirements

What FSA training tools could assist you in your training efforts to ensure compliance for 04-05?

- A. FSA Coach**
- B. Verification Assessment and all activities**
- C. IIS contact**
- D. Have the school check the IFAP.ed.gov website to determine if there is any applicable training coming up in the regional training facilities.**
- E. Complete a Management Enhancement**
- F. All of the above.**

The Program Review Report lists the following finding :

VERIFICATION NOT DOCUMENTED/INCOMPLETE

FINDING: The reviewers found that **EAC Session 2 College** failed to complete verification for seven students who were selected for verification.

For **student #1**, the only documentation in her file were copies of her 2000 W-2 earnings statements. However, the student reported on her FAFSA that she and her spouse filed a tax return in 2000. The W-2 can only be accepted in place of a tax return if the institution can document that the student could not provide a copy of the tax return, even after attempts to collect the document from the IRS. Also, there was no verification worksheet in her file, so the student's household size was not verified.

For **student #10**, her tax return showed that she received a \$1962 earned income credit in 2000 (line 60a on the 2000 tax return). This money should have been included as untaxed income on her FAFSA, but was not. There was no documentation in the student's file that calculations had been performed to determine whether this revised information effected her eligibility. A similar problem was found in **student #14's** file.

EAC Session 2 College completed verification for **student #19** on 12/23/02, after having disbursed Pell Grant and Perkins loan funds to the student for both the Fall and Spring semesters. As a result of verification, the student's expected family contribution (EFC) increased to \$5200, making her ineligible for the Pell Grant funds that she had received. However, the student's award still had not been adjusted as of the date of the program review.

Student #10 was selected for verification in the 2002/03 award year, but there was no documentation in her file showing that verification had been completed. **EAC Session 2 College** had not disbursed her Pell Grant, but Direct Loan funds had been credited to her account for both the Fall and Spring semesters.

Student #21's 2001 tax return showed that he had a \$1000 deduction for IRA payments (line 16, 1040A), but this amount was not included on the FAFSA at line #45 as required. The instructions for questions #45 (Worksheet B) clearly list that IRA deductions should be reported there. A similar problem was found in **student #26's** file.

Institutional officials acknowledged to the reviewers that **EAC Session 2 College** had failed to ensure that verification documentation was subsequently collected for all students. The college had used the regulatory option of making initial Title IV disbursements prior to the receipt of all verification documentation, but did not establish an adequate system for tracking such students to ensure that the documentation was subsequently received, and compared to the information reported on the students' applications. Officials also acknowledged that there had been significant turnover in the last year, resulting in training issues.

Failure to complete verification may result in students receiving funds they are not entitled to, and cause increased expense for the Department.

Let us demonstrate how using the Management Enhancement Worksheet can assist the school with a corrective action plan that will assist them with compliance.



Helpful Hints:

Annually completing an assessment and implementing Management Enhancements prior to any potential site visits can help a school:

- **Establish a process to self-identify issues.**
- **Begin developing corrective action before a potential auditor or reviewer finds the same issue.**

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Management Enhancement Worksheet
What module is this enhancement item related to? Verification Module.
<p>Enhancement Item: (Provide a detailed description of the policy, procedure or system that needs to be improved).</p> <p>There has been a huge turnover in staff and a lack of training for new hires. Although the system is being updated that documents are received, the documents are getting lost between the document center and the student file. Although we are confident we had the materials because the SIS system shows it was received and changes were made to many of the records, we realize that the Department will most likely require us to do a full file review for 2002-03 and possibly 2001-02 because of the repeat finding.</p>
<p>Enhancement Action: (Provide a detailed description of your plan of action to improve the above enhancement item)</p> <ol style="list-style-type: none"> 1. We will do a random sample of 350 files of students selected for verification for the 2001-02, and 2002-03 and determine how extensive this problem is and determine if there is a pattern. 2. Update our policies and procedures to reflect problems detected. 3. Create a flow chart and track what happens to a document once it is received. 4. Develop a training program for new staff using FSA Coach – Verification. 5. Develop a training program for continuing staff using the FSA Assessment 6. Consistently use the Verification ISIR Comparison Chart when reviewing files. 7. Consistently use the required documentation form on the FSA Assessment as guidance.
<p>Offices that need to be involved:</p> <p>Financial Aid Office Admission's Office Possibly Systems staff depending on the results of the file review.</p>
<p>Lead Persons to Coordinate Management Enhancement Item:</p> <p>Name: Siobahn Evans Title: Compliance Officer Phone Number: Extension X6192.</p>
<p>Near-Term Management Enhancement? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>Long-Term Management Enhancement? <input type="checkbox"/> Yes <input type="checkbox"/> No</p>
Implementation Start Date: 12/1/03
<p>After implementation, explain the final results:</p> <p>We determined that there were two staff members that required additional training in verification. One staff member was new and the other was a more senior position. In addition, we found that staff members were not provided clear guidance with what to do with the documents after they were entered into the system.</p> <p>We have determined that training will be an essential key to addressing the issues identified. Using the tools provided in both the assessments and FSA coach should assist our training efforts. We have shared the results with the Department and our auditor. We will also update our policies and procedures manual.</p>
<p>Date Policies and Procedures Manual updated to ensure problem does not reoccur: We will sample our 2003-04 files to make sure the problem has stopped and correct any errors in 2003-04.</p>
<p><i>We recommend that your school annually review all management enhancement items to determine the effectiveness of enhancements implemented by your school.</i></p>



Answer Key PARTICIPANT EXERCISE A: Verification

Page 12

CPS-selected verification is NOT required for the following programs:

- Leveraging Educational Assistance Partnership (LEAP) Program unless the school is certain that applicant's state grant contains federal funds.
- Unsubsidized Federal Direct/Stafford Loan Program
- Federal Family Education Loans certified for enrollment at eligible foreign schools
- Federal Direct PLUS/Federal PLUS Loan Programs
- Robert C. Byrd Honors Scholarship Program
- Quality Assurance Program

CPS-selected verification is required for the following programs:

- Federal Pell Grant Program
- Subsidized Federal Direct/Stafford Loan Programs
- Campus-based Programs

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Remember, A Pell overpayment occurs any time the student receives a payment that's greater than the amount for which the student is eligible. Most overpayments are due to one of the following:

- ☐ Student error, such as failing to report the spouse's income on the application, or failing to report attendance and financial aid received at a previous school.
- ☐ School error, for instance, when a student's award is taken incorrectly from the Payment Schedule, or when the school pays a student who isn't making Satisfactory Progress.
- ☐ Required recalculations, such as when a student never begins attending class or does not begin attending all of his or her classes, or withdraws from school after receiving a reimbursement for living expenses.
- ☐ Optional payments, for instance, when the school makes an interim disbursement to a student selected for verification, but the student never completes verification.

Participant Exercise 1:

Activity #14

Participant Exercise – 2

First Question: In preparation of the review, you will want to print the **2002-2003 and 2003-04 Verification ISIR/1040 Comparison Charts** and the applicable 1040's and the Verification at a Glance document.

Second Question: 4. Verifiable Items

Participant Exercise - 3

Conflicting data section, Citation [668.54\(a\)\(3\)](#)

Participant Exercise 4

First Question: D. All of the above

Second Question: A. Activity 9 - Assessment Component: Verifiable Items

Participant Exercise - 5

A. Activity 3: Applicants Selected for Verification – Exercise Component: Selection of Applicants.

Participant Exercise -6

F. All of the above.



Introducing the Federal Perkins Due Diligence Assessment –

Purpose: The purpose of this demonstration is to show the participant how to navigate and experience the FSA Federal Perkins Due Diligence Assessment.

What is the FSA Federal Perkins Due Diligence Assessment?

The Federal Perkins Due Diligence Assessment is a tool to assist Program Review Staff, IIS's, Auditors and Schools with the Perkins Due Diligence process. Since Federal Perkins Collections and Due Diligence processes are usually handled outside the financial aid office, the assessment was designed to “house” the information the Department provides on Perkins Due Diligence in one place and in a user-friendly, logical order. It incorporates direct links to Federal Perkins related sources such as the Federal Law, Federal Regulations, FSA Handbook, and Due Diligence Checklists and Activities.



Helpful Hint:

There are several Federal Perkins Assessments designed to help schools with many Perkins issues including Awarding & Disbursement, Repayment, Cancellation, Forbearance & Deferment, and Due Diligence. This exercise highlights some of the features of the Federal Perkins Due Diligence Assessment, which includes several activities to address Federal Perkins aging accounts.

Hands-on Exercise B: Federal Perkins Due Diligence

Components: An introduction to General Due Diligence Requirements

Step	Action
1	Select from the menu the Managing Funds Category.
2	In the Perkins category, click Due Diligence .
3	Select from the menu General Due Diligence Requirements .
4	In the left-hand column of this section, click 674.41(a) .
5	Click back button.
6	In the right-hand column of the screen. Review the items under the Continuous Improvement icon.
7	At the bottom of the screen, click on Management Enhancement Worksheet .
8	Click back button



Includes a direct hyperlink to federal regulations pertaining to Perkins General Due Diligence Requirements (674.41(a)).



Continuous Improvement icon allows school to ensure that policies and procedures are correct and updated.



Management Enhancement link at the end of the section reminds school to complete Management Enhancement Worksheet if improvements are needed.

Components: An introduction to Exit Counseling

Step	Action
1	Select from the menu at the left-hand of the screen Exit Counseling .
2	In the right-hand column of this section, click Activity #1 Exit Interview .
3	Click back button.



Activity #1 allows your school to check Policies & Procedures related to Federal Perkins Exit Interviews.

Components: An introduction to Billing Procedures

Step	Action
1	Select from the menu at the left-hand of the screen, Billing Procedures .
2	In the right-hand column of this section, click Activity #4 Billing Procedures .
3	Click back button.



Activity #4 allows your school to check Federal Perkins Billing Procedures.



Activity #4 allows your school to pull a sample of students in repayment to ensure proper billing procedures were followed on an individual student basis.

Components: An introduction to Collection Procedures

Step	Action
1	Select from the menu at the left-hand of the screen, Collection Procedures .
2	In the right-hand column of this section, click Activity #6 Federal Perkins Due Diligence Worksheet .
3	Scroll down to the last page of this document. As you can see, the document provides a worksheet to complete a file review of all Perkins aging accounts to determine the school's plan of action deal with aging accounts.
4	At the bottom of the form, you will notice a tab entitled Next Action . Since the font is hard to read, go to the top menu bar of your screen, click View . Now select Normal . At the bottom of the document, click Continue Annual Collection .
5	Click back button once. Again, click View . Now select Normal . Scroll back down to the Next Action Tab .
6	Click Assignment .
7	Click back button. Again, click View . Now select Normal . Scroll back down to the Next Action Tab .
8	Click School Purchase .
9	Click back button twice.



Allows your school to conduct a file review of all Perkins aging accounts to determine next course of action.



Provides direct links to Dear Colleague Letter for Assignment.



Provides direct links to explanations of other actions including Continuing Annual Collection and School Purchase.

Components: Highlights of Default Status & Student Eligibility

Step	Action
1	Select from the menu at the left-hand of the screen, Default Status & Student Eligibility .
2	In the right-hand column of this section, click Activity #9 Default Status and Student Eligibility procedures .
3	Click back button.

- **Activity #9 allows school to check procedures related to Perkins Default.**
- **Activity #9 provides resource information for Loan Rehabilitation, Assignment, and Calculating Perkins Cohort Default Rates.**

Components: Highlights of the Final Checklist

Step	Action
1	Select from the menu at the left-hand of the screen, Final Checklist .
2	At the bottom of the page under Related Modules , click Perkins Cancellation Module
3	Click back button.

- **Final Checklist contains links to Management Enhancement and Effective Practices**
- **Provides direct links to all other modules related to Federal Perkins Due Diligence**



QUESTION:

There are four additional Federal Perkins Modules available. You have just been introduced to the Perkins Due Diligence Module. What are the other four modules?

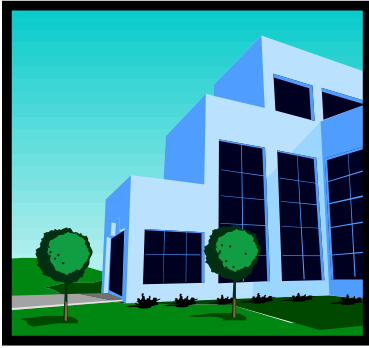
1. _____
2. _____
3. _____
4. _____


Besides the four Federal Perkins modules, what other module might be of interest to assist with Perkins Default issues?

1. _____

How can the Federal Perkins Due Diligence Module help the following school situation?

A school dilemma...



Let's imagine that...  scenario 2

You receive a letter from the Case Management Team in your area. They will be conducting a Program Review focusing on Federal Perkins Collections and Aging Perkins Accounts. They will also be looking at your school's Exit Counseling Materials.

Your Federal Perkins Collections function is handled through your Business Office. The person in charge of Perkins Collections for the past 25 years has retired. The new person handling Perkins Collections at your school is in the Business Office. She has an extensive financial background, but is not familiar with Title IV or Federal Perkins regulations. Your school has a very low default rate. However, your latest FISAP indicates that your school has 850 students who have been in default for more than 5 years (total of **1.5 million dollars** in default).

You believe that this is most likely the reason that your school was selected for a Perkins Collections Program Review.



Participant Exercise – 1

Federal Perkins: AGING ACCOUNTS

In preparation for the review, you will need to review the 850 accounts that have been in default for more than 5 years.

What activity available in the Federal Perkins Due Diligence Module can you use to help you with this process?

1. _____



Participant Exercise – 2

During the site visit, the reviewer indicates that there is no evidence that Exit Counseling was performed for many students.

1. **Where in the Module can you find information pertaining to Exit Counseling?** _____
2. **What activity can be used to evaluate your school's procedures for Exit Counseling?** _____



Participant Exercise – 3

As you are preparing for a site visit, a prior student calls your office inquiring about the Federal Perkins Rehabilitation process. You do not have your regulations in front of you. Where in the Federal Perkins Due Diligence Module can you find more information about Federal Perkins Rehabilitation?

Activity # _____ (Hint: Check under Default Status and Student Eligibility)

After the Federal Perkins Program Review, your office was not surprised to discover the following finding noted:

FEDERAL PERKINS LOAN-INADEQUATE BILLING/COLLECTION PROCEDURES/DUE DILIGENCE

FINDING: The reviewers found that upon reviewing a sample of the 850 accounts that were in default for more than 5 years, there were several accounts that had gaps in due diligence and several accounts with no due diligence at all.

For **student #12**, the reviewer could find no promissory note and no indication the student had ever been billed.

For **student #15** the reviewer found only the first page of the promissory note. There was also an assignment form completed for the student, but no record to show that the form was ever submitted to the Department of Education.

Institutional officials acknowledged to the reviewers that **EAC Session 2 College** had failed to adequately perform due diligence for students in default. The prior collections officer had indicated this was not a high priority. The school has begun reviewing the defaulted accounts to determine their next course of action. Officials also acknowledged that there had been significant turnover in the last year, resulting in training issues.

Failure to perform proper due diligence may result in uncollectible loans. This decreases the amount of funds available for future students and causes increased expenses for the school and the U.S. Department of Education.

Let us demonstrate how using the Management Enhancement Worksheet can assist the school with a corrective action plan that will assist them with compliance.



Helpful Hints:

Annually completing an assessment and implementing Management Enhancements prior to any potential site visits can help a school:

- **Establish a process to self-identify issues.**
- **Begin developing corrective action before a potential auditor or reviewer finds the same issue.**

Electronic Access Conference 2003

Management Enhancement Worksheet
What module is this enhancement item related to? Federal Perkins Due Diligence
<p>Enhancement Item: (Provide a detailed description of the policy, procedure or system that needs to be improved).</p> <p>The policy for handling defaulted student loans and collection procedures needs to be revised. The school needs to develop a process to deal with loans that are approaching default status. Further, the school needs to develop a plan of action to deal with all 850 loans that have been in default for more than 5 years.</p>
<p>Enhancement Action: (Provide a detailed description of your plan of action to improve the above enhancement item)</p> <ul style="list-style-type: none"> <input type="checkbox"/> We will provide training for our new Collections officer in the Business Office. <input type="checkbox"/> We will perform a file review of the 850 accounts in default for more than 5 years. We will determine the loans that can be assigned to the Department of Education, the loans that will need to be purchased by the school, the loans that can be written off, and the loans that we will continue our annual attempt to collect. <input type="checkbox"/> We will provide a plan of action for each of the 850 accounts to the Department of Education. <input type="checkbox"/> Develop a training program for new staff using FSA Coach – Perkins. <input type="checkbox"/> Develop a training program for continuing staff using the FSA Assessments <input type="checkbox"/> Develop a plan of action to deal with loans that are approaching default status to decrease the likelihood of those loans going into default (We will use the FSA Default Management Assessment to assist)
<p>Offices that need to be involved:</p> <p>Financial Aid Office, Business Office, Third - party billing service. Possibly Systems staff depending on the results of the file review.</p>
<p>Lead Persons to Coordinate Management Enhancement Item:</p> <p>Name: Jonathan Counselor Title: Collections Officer Phone Number: Extension X8800.</p>
<p>Near-Term Management Enhancement? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p>
<p>Long-Term Management Enhancement? <input type="checkbox"/> Yes <input type="checkbox"/> No</p>
<p>Implementation Start Date: 12/1/03</p>
<p>After implementation, explain the final results:</p> <p>We determined that the entire Perkins Collections office needed more Perkins Training. We used FSA Coach and the FSA Assessment Module. We have also developed an annual Perkins Training and have allowed one staff member to attend a National Training initiative related to Perkins each year.</p> <p>We have developed new policies and procedures dealing with Perkins collections. We have developed a plan of action for all 850 loans in default. We used the Perkins Due Diligence Activity #6. Over half have been assigned to the Department of Education. We are aggressively collecting the remaining loans and may be assigning more of those loans to the Department of Education. We have also begun intervening with loans that have been in default for less than 5 years, and have developed a Default Aversion process for loans that have not reached default status to provide the borrower with more options to avoid default.</p>
<p>Date Policies and Procedures Manual updated to ensure problem does not reoccur: We updated our policies and procedures manual in January 04. We will re-visit this issue for the next 2 years to ensure that the process continues to work.</p>
<p><i>We recommend that your school annually review all management enhancement items to determine the effectiveness of enhancements implemented by your school.</i></p>



Answer Key PARTICIPANT EXERCISE B: Perkins Due Diligence

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The four additional Perkins modules are :

- | | |
|--|--|
| 1. Federal Perkins Awarding & Disbursement | 2. Federal Perkins Repayment |
| 3. Federal Perkins Cancellation | 4. Federal Perkins Forbearance & Deferment |

Besides the four Federal Perkins modules, the **Default Management Module** can assist the school with Perkins default issues.

Participant Exercise - 1

1. Activity #6 – Federal Perkins Due Diligence Worksheet

Participant Exercise - 2

- Question 1: Exit Counseling (third bullet on the menu)
Question 2: Activity #1 : Exit Interview

Participant Exercise - 3

Activity # 9 Default Status and Student Eligibility Procedures (**Regulation 674.39**)

Making the most of the Management Enhancement Process:

- ★ **The Management Enhancement Process is the most important part of the FSA Assessment Activity.**
- ★ **When completing an assessment, complete a Management Enhancement Form for every area that you identify needing improvement.**
- ★ **Make sure you set realistic timeframes for completion of the enhancement and include all appropriate offices in the process.**
- ★ **The Management Enhancement process can be completed in the following ways:**
 1. **Print a blank form and complete the Management Enhancement Form “off-line.”**
 2. **Coming Soon!** The new interactive Management Enhancement Form will allow you to complete the form on-line and save it to your own computer!
- ★ **When completing the form “off-line”, it is recommended that you have several blank copies of the Management Enhancement Form at your desk as you complete an assessment. When you find areas that need improvement, simply pull out one of your blank forms, record the area, and begin the process of making the improvement.**
- ★ **The key is to follow through and involve all appropriate offices related to the improvement.**

What About Effective Practices?

What is an Effective Practice?

The Effective Practice database is a mechanism for schools to share financial aid management practices that work well on their campus (related to Title IV or not). This database is an ongoing project. You will see changes to the site as we further develop and make enhancements to this process.

An Effective Practice process allows schools to:

1. **Submit best practices on-line**
2. **Learn from each other by sharing the great and effective ways the school administrators aid to their students or provides excellent customer service**



The Effective Practice portion of our website is currently under construction!

Schools are currently allowed to share Effective Practices on the Website. This site requires the school to log in and create a password in order to complete the Effective Practice Form. However, we are in the process of enhancing the site and **NO PASSWORD** will be required in order to submit an Effective Practice Form. Further, any school will eventually be able to view the Effective Practice Reports submitted by other schools. These enhancements should be completed within the next few months.

To share and view Effective Practices, you can click the link from any assessment or you can access the Effective Practice page at the following address:

<http://www.ifap.ed.gov/IFAPWebApp/qualityassurance/AppendixD.jsp>

On the next page, we have included a real example of an Effective Practice related to the Federal Perkins Program. *Take a few moments and review the Effective Practice. We hope this will encourage you to share an Effective Practice for your school!*

Effective Practice Form (Example)
Your colleagues need your insights.

*In advance, we thank you for
volunteering to share practical knowledge with your student financial aid colleagues.
Your partnership in this continuing information effort will help all concerned
to further the goal of putting America's students through school.*

[Please submit one form for each effective practice.]

Name of Institution: East Carolina University

Institutional Contact Person: Wanda L. Wynne

Title: Director of Student Loans

Phone Number: 252-328-6816

Contact E- Mail address: wynnew@mail.ecu.edu

Best Mode and Best Time to Reach the Contact Person: e-mail anytime

1. What is the primary focus of this effective practice? Web- based communication

Responding to parent / student inquiries

Application processing

Aid packaging

Award disbursement

General information literature

Web-based communication

Inter-office communication

Intra-office team building

Staff training

Verification analysis utilizing the Quality Analysis (Verification) Tool

Other _____

2. Does this effective practice relate to these Assessment Topics [check ALL that apply]? (in bold)

Student Eligibility

General Fiscal Matters

Awarding Aid

Disbursing Aid

Satisfactory

Reporting & Reconciling

Institutional Eligibility

Financial Responsibility & Cash Management

Consumer Information

Return of Title IV

Recertification

Perkins Due Diligence

Change In Ownership

Perkins Repayment

Administrative Capabilities

Perkins Cancellation

Automation

Perkins Forbearance & Deferment

OTHER (Provide topic heading that is best related to this effective practice) _____

3. Description of Effective Practice Activities

- a) What are the **goals** of this practice? *The goals are to provide convenience to borrowers who have access to the internet and to reduce the cost of mailing out cancellation & deferment forms to borrowers. Hopefully this will also result in us receiving and therefore processing the forms faster.*
- b) Please provide a **two-or-three sentence description** of activities: *We incorporated our deferment and cancellation forms on our web-site. We list the web address on our monthly statements & inform borrowers that they can download necessary forms from this site. Our e-mail addresses are also on the site so they can e-mail us with any questions. This helps cut back on telephone calls.*
- c) In what **time frame** were these activities performed? *I designed the forms for the web-site in the Fall of 2000. I worked with our web administrator in designing the site. The next time we printed statements, we added the web address on them. We also now give it out during exit interviews.*
- d) What **computer system / program** requirements did this effective practice require? *I used Microsoft word to design the forms. I'm not sure what the web administrator used. We use SCT's LMS system for our loans. We just converted to this from a home grown system on 7/1/01.*

- e) If **publications** on your campus needed to be revised as a result of implementation of this effective practice, please indicate how this was accomplished? **N/A**
- f) How many **financial aid office staff members** did this effective practice involve? **Just one from the Student Loan Office to create forms with input from the other 3 staff members.**
- g) How many **staff members from other offices** did this effective practice involve [Please indicate **which other offices** were engaged]? **One, which was the web administrator in our Systems Coordination Office.**
- h) Please estimate the **total implementation costs** for this practice (this information will provide colleagues with guidance concerning equipment, publications, staffing, etc.): **Minimal, just the staff time involved to create forms and design site. There was no extra cost of printing forms, we just added a line to the statements that already existed.**
- i) How did this practice **relate to and affect other key activities** in the financial aid office? **First, our office is separate from the Financial Aid Office. We are the collection end for Perkins loans. Our office used to review monthly reports of loans that were ending their deferments. We would evaluate these to determine which borrowers needed more forms & we would mail them out. Now, a lot of these people have already downloaded and sent their forms to us after reading messages on their statements that their deferment is ending and after seeing the web address on the statement.**
- j) What were the desired **outcomes** for this practice? How did you **measure** them? **To make borrowers more self sufficient and to decrease postage costs of mailing out forms. We can see a definite increase in forms received that were downloaded from the web-site. We have not evaluated the postage costs.**
- k) Were the **expected benefits** realized? Were there **unexpected benefits or costs**? **I would say yes, the benefit of borrower self sufficiency has been realized. We are getting forms quicker and are mailing out fewer forms. We therefore need fewer forms on hand, reducing printing and copying costs.**
- l) As you implemented this practice, what **mid-course corrections** did you: 1) **consider**; and 2) **decide to make**? **None.**

m) Is this effective practice **an ongoing effort?** **Yes.**

n) If not an ongoing effort, **will this effective practice be repeated?**

4. Institutional characteristics:

Type of Institution:

☐ 2-year public ☒ **4-year public** ☐ 4-year private ☐ Career college/private vocational

Size of Institution:

☐ **Small** (1-800 Financial aid recipients)
☐ **Medium** (801-10,000 financial aid recipients) or
☒ **Large** (10,001+ financial aid recipients)

Title IV participation (check all that apply):

<input checked="" type="checkbox"/> Graduate Aid	<input checked="" type="checkbox"/> Undergraduate aid	<input checked="" type="checkbox"/> Federal Pell Grant
<input type="checkbox"/> Federal SEOG	<input checked="" type="checkbox"/> Federal Perkins Loan	<input type="checkbox"/> Plus Loan
<input type="checkbox"/> FFEL Subsidized	<input type="checkbox"/> Direct Loan Subsidized	
<input type="checkbox"/> FFEL Un-Subsidized	<input type="checkbox"/> Direct Loan Un-Subsidized	
<input type="checkbox"/> Distance Learning Pilot	<input type="checkbox"/> Experimental Site	<input type="checkbox"/> QA Program Participant

In Summary:

- ★ **The more you put into the FSA Assessment process, the more you get out of it!**
- ★ **Financial Aid should be a school-wide effort! The financial aid office is not the only office involved in the Financial Aid process.**
- ★ **The Assessments can be used to prevent compliance issues or help with resolving current compliance issues.**
- ★ **With the hyperlinks to current regulations and other publications, the assessments can also be a great learning tool or resource to find the answer to many Title IV issues.**
- ★ **Consider completing assessments related to any audit or program review issues brought up at your school.**
- ★ **If your school has no issues, consider completing at least two assessments per year.**

Please visit the PC lab to review the assessments in more detail!

What Assessments will you begin when you get back to your campus?

1.	_____
2.	_____
3.	_____
4.	_____
5.	_____
6.	_____



QUESTIONS

We appreciate your feedback and comments. We can be reached:
qualityassurance@ed.gov



Hands-on Exercise C

Introducing the FSA Default Management Assessment

Due to time constraints, we may not have time to run this exercise. We encourage you to visit the PC Lab and complete this section on your own. If you do not have time to visit the PC Lab, the instructions have been written in such a way that you can return to your office and complete this exercise.

What is the Default Management Assessment?

The Default Management Assessment is designed to assist your school with Default Management efforts. The Assessment houses a variety of resources related to Default Management in a logical order. It incorporates direct links to Default Management resources such as Federal Law, Federal Regulations, FSA Handbook, Cohort Default Rate Guide, and various Default Management Checklists and Activities.


***Purpose:** Although every section will not be covered, the user will Review and become familiar with the features of the Default Management Assessment.*

Components: An introduction to Calculating Cohort Default Rate Section

Step	Action
1	From the menu, click the Schools Category. Click Default Management .
2	In the left-hand column of screen, click Calculating Cohort Default Rates .
3	In the right-hand column, click Activity 1: Cohort Default Rate Formula
4	Click back button.
4	In the right-hand column, locate Community Questions & Answers and click Cohort Default Rate .
5	Click back button.



- Can help with Cohort Default Rate Calculations.
- Provides school with common Questions & Answers related to Cohort Default Rate Calculations.

Components: An introduction to Non-Average and Average Rate Formulas Section

Step	Action
1	In the left-hand column of screen, click Non-Average and Average Rate Formulas .
2	In the right-hand column, click Activity 2: Non-Average Rate .
3	Click back button.
4	Scroll down to the bottom of the screen and click Next  button.
5	In the right-hand column, click Activity 3: Average Rate .
6	Click back button.




- Can assist school with Non-Average and Average Rate Formulas.

Components: An introduction to Receiving Cohort Default Rates and Sanctions or benefits associated with Official Cohort Default Rates Sections

Step	Action
1	Select from the menu Receiving Cohort Default Rates .
2	In the right-hand column, under Community Questions & Answers, click Draft Cohort Default Rate .
3	Click back button.
4	Scroll down to the bottom of the screen and click Next  button.
5	In the right-hand column, under Community Questions & Answers, click Low Cohort Default Rate .
6	Click back button.
7	Select from the menu Sanctions or benefits associated with Official Cohort Default Rates .
8	Scroll down to the bottom of the screen.
9	In the left-hand column of this section, click GEN-02-06
10	Click back button.
11	Scroll down to the bottom of the screen and click Next  button.
12	In the right-hand column, under Community Questions & Answers, click Sanction and draft data challenges .
13	Click back button.


- Can assist school with understanding official cohort default rates.
- Provides answers to common questions related to official cohort default rates.
- Provides Dear Colleague links to explain expiration of certain default rate benefits.

Components: An introduction to Challenges, Adjustments & Appeals Section

Step	Action
1	Select from the menu Challenges, Adjustments and Appeals .
2	In the right-hand column of your screen under Community Questions & Answers, click Loan Record Detail Report (LRDR) .
3	Click back button.
4	Scroll down to the bottom of the screen and click  button.
5	In the left-hand column of this section, click Cohort Default Rate Guide, Ch. 4.1 .
6	Click back button.
7	Scroll down to the bottom of this section. In the left-hand column of this section, click Cohort Default Rate Guide, Ch. 4.3 .
8	Click back button.
9	Scroll down to the bottom of the screen and click  button.
10	In the left-hand column of this section, click Cohort Default Rate Guide, Ch. 4.4 .
11	Click back button.
12	Scroll down to the middle of this section. Click Cohort Default Rate Guide, Ch. 4.5 .
13	Click back button.
14	Scroll down to the bottom of the screen and click  button.
15	In the left-hand column of this section, click Cohort Default Rate Guide, Ch. 4.6 .
16	Click back button.




- Provides information regarding how to determine if there is inaccurate data in the cohort default rate.
- Provides detailed information about what constitutes incorrect data and how to submit an incorrect data challenge.
- Provides detailed information about what constitutes uncorrected data and how to submit an uncorrected data adjustment.
- Provides detailed information about what constitutes a new data adjustment, which schools are eligible to submit a new data adjustment, and how to identify the data manager of a loan.
- Provides detailed information about erroneous data appeals, and which schools are eligible to submit erroneous data appeals.
- Provides information about Loan Servicing Appeals.

**Components: An introduction to Challenges, Adjustments & Appeals Section
(Continued)**

Step	Action
1	In the left-hand column of this section, click Cohort Default Rate Guide, Ch. 4.7.
2	Click back button.
3	In the left hand column of this section, click Cohort Default Rate Guide, Ch. 4.8.
4	Click back button.
5	Scroll down to the bottom of the screen and click Next  button.
6	In the left-hand column of this section, click Cohort Default Rate Guide, Ch. 4.9.
7	Click back button.
8	In the left-hand column of this section, click Cohort Default Rate Guide, Ch. 4.10.
9	Click back button.
10	In the right-hand column of this section, click Activity 4: Review Eligibility to Submit Challenges, Adjustments, Appeal Chart.
11	Click back button.
12	In the bottom right-hand column of this section locate Community Questions & Answers, click Challenges, Adjustments, Appeals.
13	Click back button.

- **Provides information about Economically Disadvantaged Appeals, Participation Rate Index Appeals, Average Rates Appeals, and Thirty or Fewer Borrowers Appeals.**
- **Provides Activities related to Challenges, Adjustments, & Appeals.**
- **Provides Questions & Answers related to Challenges, Adjustments & Appeals.**

Components: An introduction to Default Prevention (Federal Requirements) and Default Prevention Strategies Section

Step	Action
1	Select from the menu Default Prevention (Federal Requirements) .
2	In the right-hand column of this section, click Activity 9: Entrance & Exit Counseling Exercise: Review Counseling Elements Chart found in the 2002-2003 FSA Handbook, page 8-55 .
3	Click 2002-03 FSA Handbook, page 55 link. The link will open in Acrobat. Once open, scroll down to page 8-55.
3	Click back button twice.
4	Scroll down to the bottom of the screen and click  button.
5	In the right-hand column of this section, locate Community Questions & Answers and click NSLDS Enrollment Reporting .
6	Click back button.
7	Scroll down to the bottom of the section. In the left-hand column of this section, click NSLDS Reporting Guide .
8	Click back button.
9	In the left-hand column of this section, click NSLDS Website . Note: A pop-up box may appear that indicates that you are leaving a secure site and/or security reminder. If any pop-up boxes appear, simply click OK .
10	Click back button to return to the module. You may get another pop-up security box. If so, click Yes .
11	Scroll back up to the middle of the section. Select from the menu Default Prevention Strategies .
12	Scroll down to the bottom of the screen and click  button.
13	In the right-hand column of this section, locate Community Questions & Answers and click Late Stage Delinquency .
14	Click back button.
15	In the right-hand column of this section, click Activity 10: Low Default Rate/Dollars at Risk .
16	Click back button.
17	In the right-hand column of this section, click Activity 11: High Default Rate/LSD Exercise .
18	Click back button.
19	Scroll down to the bottom of the screen and click  button.
20	In the right-hand column of this section, click Activity 12: Default Management Picklist .
21	Click back button.
22	Scroll down to the bottom of the screen and click  button.
23	In the right-hand column of this section, click Activity 14: Review Student Loan Guide .
24	Click back button.
25	Scroll down to the bottom of the screen and click  button.
26	In the right-hand column of this section, click Activity 16: Review the Default Prevention Websites list and note any websites you do not have .
27	Click back button.

- Provides regulatory requirements for Default Prevention.
- Provides Questions & Answers related to the NSLDS Enrollment Reporting process.
- Provides direct links to NSLDS Enrollment Reporting Guide and NSLDS Website.
- Provides Questions & Answers related to Late Stage Delinquency.
- Activities 12 and 14 provide valuable Default Prevention information to enhance policies and procedures.
- Activity 16 provides direct links to valuable Default Prevention Websites.

Components: An introduction to Mandatory Default Management Plans Section

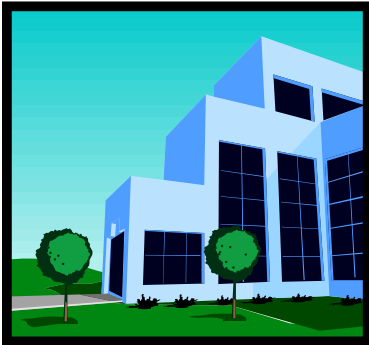
Step	Action
1	Select from the menu Mandatory Default Management Plans .
2	In the right-hand column of this section, locate Community Questions & Answers and click ED's Sample Default Management Plan .
3	Click back button.



Provides information about developing Default Management Plans.

How can the Default Management Assessment help the following institution?

A school dilemma...



Let's imagine that...  scenario 3

Your auditor has conducted your annual audit for the most recent completed award year. In that audit, several findings related to the FFEL Program were revealed. The auditor noted that several files reviewed were missing entrance & exit materials. Further, it was unclear what office on your campus provided entrance & exit counseling to borrowers. Finally, two borrowers unofficially withdrew from your school, and no exit counseling was performed for these students.

Your office wants to ensure that you adequately respond to the auditor's concerns. You also want to ensure that the finding does not recur in the future. In addition, you would like to be proactive to keep your default rate low.



Participant Exercise – 1

Your school has a low default rate. However, you would like to be proactive to ensure that your default rate stays low. Your school would like to begin some default prevention strategies.



Where can you locate these strategies in the Default Management Module?

1. _____



What are the two strategies that you could use to reduce loan delinquency and loan default?

1. _____

2. _____



Participant Exercise – 2

During your audit, your auditor believes that your school's entrance & exit counseling materials may not meet federal requirements. You are certain that you meet the requirements outlined in the regulations, but would like to confirm this.



What section of the Default Management Module would be helpful?

1. _____



What Activity might be helpful to check your current Entrance & Exit Counseling requirements to ensure that they meet the Federal Guidelines?

1. _____



Participant Exercise – 3

While responding to your auditor's concerns, your Placement Office notifies you that it will be hosting a job fair for students on campus. As part of the job fair, several computers will be available for students to ensure that they have met all requirements for graduation. Knowing that a low default rate is important to the school and to students attending the school, the Placement Office has asked your office to provide information about default prevention websites that they can refer students.



What Activity in the Default Management Module might be helpful? Hint: There is a great Activity in the Default Prevention Strategies Section.

Activity #_____ would be helpful for the Default Prevention Websites.

The Auditor's report had the following finding:

FFEL ENTRANCE/EXIT COUNSELING DEFICIENCIES

FINDING: The auditor noted that 5 students (Students 1, 2, 3, 5, and 7) were missing documentation of Entrance & Exit Counseling. Further, 8 out of 10 students (Students 1, 2, 3, 5, 6, 7, 9 and 10) had no evidence of Exit Counseling. It was also noted that 15 students unofficially withdrew from the school and no Exit Counseling information was provided to these students.

Institutional officials acknowledged to the reviewers that **EAC Session 2 College** had recently combined student loan counseling for all loan programs under the Federal Perkins Collections Office. That office has been very successful with Federal Perkins Loan Default Management strategies. However, there has been confusion about when that office actually began counseling for FFEL and if it has been done consistently.

Failure to perform Entrance & Exit Counseling loans increases the possibility of a student defaulting on his or her loan. FFELs that enter into default status create increased expense for the U.S. Department of Education.

Let us demonstrate how using the Management Enhancement Worksheet can assist the school with a corrective action plan that will assist them with compliance.



Helpful Hints:

Annually completing an assessment and implementing Management Enhancements prior to any potential site visits can help a school:

- ☐ **Establish a process to self-identify issues.**
- ☐ **Begin developing corrective action before a potential auditor or reviewer finds the same issue.**

Electronic Access Conference 2003

Management Enhancement Worksheet						
What module is this enhancement item related to? Default Management						
<p>Enhancement Item: (Provide a detailed description of the policy, procedure or system that needs to be improved).</p> <p>Entrance & Exit Counseling procedures have not been properly established. The Financial Aid Office handled the function of Entrance & Exit Counseling. However, beginning this past academic year, Entrance & Exit Counseling is being provided by the Federal Perkins Office. There was a lack of communication between the Perkins Collections Office and the Financial Aid Office. This resulted in confusion regarding when the Perkins Collections office actually was to take over the function of Entrance & Exit Counseling for all loan programs. Further, the school has no policies and procedures to ensure that a system is in place to track unofficial withdrawals and provide Exit Counseling to those students.</p>						
<p>Enhancement Action: (Provide a detailed description of your plan of action to improve the above enhancement item)</p> <ul style="list-style-type: none"> <input type="checkbox"/> We immediately provided Entrance and Exit Counseling Materials to the affected students identified in the auditor's report. <input type="checkbox"/> We will revise policies and procedures to include a system to track unofficial withdrawals to ensure Exit Counseling is performed. This will include working with the Registrar's office and Faculty. <input type="checkbox"/> We will meet weekly with the Federal Perkins Collections office to improve communication between the two offices. <input type="checkbox"/> We will provide training to all Federal Perkins Collections personnel regarding all aspects of FFEL loan counseling. <input type="checkbox"/> We will conduct a file review for the latest award year to ensure Entrance & Exit Counseling was performed for all students who left the school. 						
<p>Offices that need to be involved:</p> <p>Financial Aid Office Federal Perkins Collections Office Registrar's Office Faculty Liaison</p>						
<p>Lead Persons to Coordinate Management Enhancement Item:</p> <table style="width: 100%; border: none;"> <tr> <td style="width: 50%;">Name: Mary Evans</td> <td style="width: 50%;">Jane Eber</td> </tr> <tr> <td>Title: Financial Aid Counselor</td> <td>Loan Specialist</td> </tr> <tr> <td>Phone Number: Extension X6998.</td> <td>Extension 6987</td> </tr> </table>	Name: Mary Evans	Jane Eber	Title: Financial Aid Counselor	Loan Specialist	Phone Number: Extension X6998.	Extension 6987
Name: Mary Evans	Jane Eber					
Title: Financial Aid Counselor	Loan Specialist					
Phone Number: Extension X6998.	Extension 6987					
<p>Near-Term Management Enhancement? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>Long-Term Management Enhancement? <input type="checkbox"/> Yes <input type="checkbox"/> No</p>						
<p>Implementation Start Date: 12/1/03</p>						
<p>After implementation, explain the final results:</p> <p>The Federal Perkins Office now has complete control over the Entrance & Exit Counseling for all loan programs. It is working quite well. We now have system to track unofficial withdrawals. Our Registrar holds monthly meetings with the Financial Aid Director to discuss various issues important to both offices. We also performed a file review of all students who left the school during the latest award year and provided Default Management materials to all students.</p>						
<p>Date Policies and Procedures Manual updated to ensure problem does not reoccur: We updated our policies and procedures in November 04. We will re-visit this issue at the end of the current award year to ensure that policies and procedures are still being followed.</p>						
<p><i>We recommend that your school annually review all management enhancement items to determine the effectiveness of enhancements implemented by your school.</i></p>						



Answer Key PARTICIPANT EXERCISE C: Default Management

Participant Exercise - 1

Question 1 : The strategies can be located in the **Default Prevention Strategies** section of the Default Management Module (located under the 11th bullet on the menu).

Question 2 : The two strategies are :

1. Develop a Default Prevention Plan

2. Develop a Late Stage Delinquency process

Participant Exercise - 2

Question 1 : The Entrance & Exit information can be found in the **Default Prevention (Federal Requirements)** section of the Default Management Module (located under the 10th bullet on the menu)

Question 2 : **Activity #9** would be helpful to ensure the school's Entrance & Exit Counseling Requirements meet Federal Guidelines.

Participant Exercise - 3

Activity #16 is a great resource for Default Prevention Websites.